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**A RAND NOTE**

**Political and Economic Issues Within the Alliance:  
The Future of Burdensharing and the  
Southern Region**

**James Steinberg, Charles Cooper**

**August 1990**

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## **PREFACE**

This Note was originally prepared for a joint RAND-Istituto Affari Internazionali Workshop on "The Southern Region and the Atlantic Alliance in Changing Strategic Landscape" held in California on November 21-22, 1989 and sponsored by The Ford Foundation.

## SUMMARY

Over the years, many have viewed the burdensharing question as simply a matter of figuring out a fair way of dividing up NATO's direct financial costs. It is therefore not surprising that the debate has focused unduly on the extent, if any, of "free riding" within the Alliance and comparisons of each nation's percent of GNP spent on defense. These measures are clearly partial, incomplete, and occasionally misleading indications of the contribution that each ally makes toward the common defense.

The argument over burdensharing frequently masks more fundamental disagreements over Alliance goals and the means to achieve them. Divisions have stemmed from various sources, including differing views of the appropriate political military strategy for responding to the perceived Warsaw Pact threat, and from conflicts over economic issues, including problems related directly to defense economics and the broader transatlantic economic relationship.

Since the end of massive retaliation, the United States has pressed the European members to place a greater emphasis on conventional forces and the ability to conduct a successful conventional defense. Europeans, by contrast, have tended to argue that increased conventionalization of NATO strategy risks undermining deterrence by making war more thinkable.

This difference of view has had two distinct consequences for the burdensharing debate. First, the high cost associated with maintaining adequate conventional forces for a robust conventional defense caused the United States to push for increased European defense spending. Second, the disagreement exposed the most intractable element of burdensharing (or "risk" sharing)—the costs associated with the failure of deterrence. The Americans' preferred approach, with its emphasis on direct defense, seemed to many Europeans to increase the possibility of an unimaginably catastrophic conventional war fought on European territory with mainly European casualties; while the Europeans' preference for a lower threshold seemed to Americans to run an unnecessarily high risk of strategic escalation that would threaten the American homeland.

The second critical element that has driven the burdensharing debate over the course of NATO's history has been economic. To the extent that U.S. economic difficulties are the product of balance of payment problems stemming from overseas

deployments, or of budget deficits driven by increased defense spending, adjustments of the burden would appear to offer relief. Defense procurement and the two-way street form another important element of the economic dimension of burdensharing. Despite the improvements in the balance of transatlantic defense trade, the long-term economic consequences of defense spending, especially in high technology research and development, remain an area of considerable tension and mutual mistrust. Other aspects of economic friction, such as disputes over trade barriers and macroeconomic policy, are only indirectly related to the security relationship, although acrimony engendered in the economic domain tends to spill over into the security relationship. To a large degree, the broadly shared consensus concerning the primacy of the Soviet threat, which created a climate of shared security interests, has dampened other sources of disharmony, which might otherwise have split the Alliance.

Recent events have greatly reduced the threat. At first blush, reductions in the military threat seem to take considerable steam out of the burdensharing problem. As Soviet forces are reduced and the Warsaw Pact implodes, the burdensharing argument is likely to be transformed from who should do how much more to who will reap the benefit of having to do less.

The manpower dimension may prove particularly important for the United States, where the size of U.S. forces in Europe has been the perennial focus of burdensharing arguments. President Bush's proposal to limit U.S. forces in Europe to 225,000 is likely to be insufficient. In addition, disagreements between the United States and European allies on strategy and force posture may simply be replicated, albeit at a somewhat lower level of forces. These disagreements could extend not only to the quantity of forces but also to their mix, as reductions begin to challenge NATO's operational strategy. Finally, the changing conventional military balance has again raised the thorny burdensharing issues associated with theater nuclear weapons.

Ultimately, conventional and theater nuclear force reductions will go to the very heart of the transatlantic burdensharing debate—the role of the United States in Europe. The U.S. role certainly will change, and the U.S. military presence will be substantially reduced. Although that will reduce the fiscal burden on the United States, many fear that it will also lead to a loss of a corresponding benefit—a dominant voice in the political, economic, and security debate within the Alliance. A new transatlantic bargain is needed that will maintain an important role for the United States while recognizing the political

realities of the end of the East-West division of Europe and a deepening economic and political relationship among the 12 members of the European Economic Community (EC).

Several approaches to transferring NATO to a more political alliance have already surfaced, including expanding the NATO agenda to embrace non-European threats to European security, the political and economic dimensions of East-West relations, coordination of economic and development assistance to developing nations, common nonmilitary threats, and West-West economic issues.

The addition of new objectives to the NATO agenda, or increased attention to existing but secondary issues, will create new sources of controversy. If, in fact, the military dimension of the transatlantic relationship becomes less central as a result of a diminished threat, economic issues will likely become even more important in shaping intra-Alliance relations. Whether economic conflict comes to dominate the Alliance may be influenced by the two sides' perceptions of the ramifications of "1992." To the extent that Americans view "1992" as the construction of Fortress Europe, retaliatory measures, in both defense and nondefense sectors, are likely; a more open but unified European market could soothe "buy-domestic" pressures.

The effect of political and economic change is likely to vary for different members of the Alliance. Conventional Forces in Europe (CFE) talks will greatly affect the Southern region in a manner that may well enhance its importance. Because naval forces are excluded from the current CFE negotiations, the role of the Southern regions' naval forces could be enhanced as NATO strategy is revised in light of CFE.

A broadening of NATO's agenda could enhance the importance of NATO's Southern region because of the special relationships between Southern region members of NATO and potential sources of instability that could affect Western Europe in the coming era. The decline of the Soviet threat will make it more difficult to justify out-of-area activities along East-West lines. But if NATO comes to accept a broader role in dealing with threats emanating from North Africa and the Middle East, there may well be a greater willingness to address out-of-area concerns.

The expansion of the EC to include Spain and Portugal and the movement toward a more complete market have increased the importance of the Southern region in the new European thinking. However, the EC's growing involvement with Eastern Europe could have important consequences for the Community's poorer members, such as Greece and

Portugal. If the level of economic assistance to Eastern Europe is increased, the funds available for development assistance to the existing members could decline. The economic cost of assisting Eastern Europe could also affect the Community's willingness to include Turkey and to provide it with high levels of economic support. Similar problems may arise in the private sector if growing opportunities for investing in Eastern Europe were to reduce the capital available for investment in the Southern region. Favorable tariff treatment for East European countries could also lead to increased competition from low-wage industries there in markets where Southern region export prospects were hitherto very favorable.



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## I. INTRODUCTION

Burdensharing has always been a contentious issue within the Alliance. From the initial commitment of U.S. troops to Europe in the early 1950s to the present, the allocation of roles and responsibilities and their associated burdens have roused passions on both sides of the Atlantic.

The dizzying pace of recent events in Eastern Europe and the Soviet Union has thrown into sharp relief the question of NATO's future and opened a whole new set of problems relating to burdensharing in a changing security environment. Some of these issues concern the proper allocation of burdens and responsibilities in the face of a diminishing military threat from the East; others concern the prospects of NATO's assuming new roles and functions in a more multipolar Europe. Although the Alliance's long-run future is uncertain, in the short run NATO must grapple with many politically divisive issues that come under the broad rubric of burdensharing.

To understand the likely dimensions of the burdensharing problem in NATO's fifth decade, we briefly review some of the traditional sources of burdensharing disputes in the Alliance. We then examine how recent developments in East-West and West-West relations are likely to transform the burdensharing debate in the coming months and years. Although the rapid and unpredictable course of events in Eastern Europe and the Soviet Union makes any prognostication perilous, we attempt to assess how the general trends that are now emerging are likely to affect Alliance relations. In the final section, we examine more specifically the influence of those forces on the Southern region.

## II. THE TRADITIONAL BURDENSARING CONTROVERSY

Throughout NATO's history, many, especially American politicians, have tended to view the burdensharing question as simply a matter of figuring out a fair way of divvying up the cost of baking the NATO pie. Implicit in this model is a belief that we know (and can agree on) how big the pie should be and what it should be made of. Most of the arguments center around issues such as how much credit should be given for providing the oven for baking pie and the attendant disruption to other household activities from having the pie-baking going on, and how much credit to give those who volunteer Grandma to do the baking as opposed to those who hire a pastry chef.

It is not surprising therefore that the debate has concentrated unduly on the extent, if any, of "free riding" within the Alliance and has accordingly degenerated into simple statistical exercises such as comparing the percent of GNP each nation spends on defense as a measure of "burden."<sup>1</sup> Although these indices certainly bear some relationship to the cost associated with NATO membership, it is an incomplete and often misleading indication of the contribution that each ally makes toward the common defense. Even more important, such simple analyses assume that all the members of the Alliance agree on the level and type of effort required (in our analogy, the size and flavor of the pie), when in fact that has seldom been the case.

Several analysts have examined the technical problems with such indicators as percent of GNP as a measure of burdensharing (tangible vs. intangible costs; monetary vs. nonmonetary; on budget vs. off; exchange rate fluctuations; output vs. input measures; etc.). It is not difficult to see, for example, that increased British expenditures for the Falklands War did not enhance NATO security, even though it raised the share of British GNP devoted to defense. Similarly, a nation that spends more because of inefficiency and waste in defense procurement will appear to be carrying a larger "burden" even though not necessarily enhancing collective security.

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<sup>1</sup>See Charles A. Cooper and Benjamin Zycher, *Perceptions of NATO Burden-Sharing*, The RAND Corporation, R-3750-FF/RC, June 1989, where this was termed the "fundamentalist" view of burdensharing.

A whole literature has sprung up attempting to correct these analytic difficulties, from interested parties as well as from academic observers.<sup>2</sup> On the whole, this literature has shown that the disparities between NATO members are not as great as might seem from cruder indices.<sup>3</sup> Indeed, despite the fears expressed by some members of Congress at the time of President Truman's commitment of U.S. troops to Europe, the Alliance has proved to be quite successful in generating large force contributions from the European allies, notwithstanding the diversity of political parties and philosophies of the various European governments over the past four decades.

But such studies have done little, if anything, to quell the political controversy about burdensharing, in part because the argument frequently masks more fundamental disagreements over Alliance goals and the means to achieve them. In fact, the burdensharing problem is an inherent part of an alliance that consists of 16 sovereign and democratic nations. Although the Allies influence each other (individually and collectively), ultimately each nation's policy must be set with regard to its own domestic constraints. The Alliance per se has no coercive power over its members' policies, and a democratically elected government that consistently ignored its own electorate in favor of the wishes of its allies would soon find itself the "previous" government. What is most remarkable about the burdensharing debate is not its persistence but rather that the Alliance has learned to live with it, as it has evolved through many different forms and transmutations. This attitude of accommodation is a prerequisite in a noncoercive alliance of democracies; it has also proved a source of the Alliance's durability.

Nevertheless, the tensions generated by burdensharing disputes are real and have been the source of deep division in the Alliance. These divisions have stemmed from various sources, including differing views of the appropriate political military strategy for responding to the perceived Warsaw Pact threat, and from conflicts over economic issues, including problems related directly to defense economics and to the broader transatlantic economic relationship.

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<sup>2</sup>G. Kennedy, *Burden-sharing in NATO*, Holmes and Meier, New York, 1979; J. Golden, *The Dynamics of Change in NATO, a Burdensharing Perspective*, Praeger, New York, 1983; S. Lunn, *Burdensharing in NATO*, Chatham House Papers No. 18, Routledge and Kegan Paul, London, 1983. For the U.S. government perspective, see the annual *Report on Allied Contributions to the Common Defense*, Department of Defense. For a European perspective, see *Western Defense: The European Role in NATO*, Eurogroup, Brussels, 1988.

<sup>3</sup>See, for example, Cooper and Zycher, 1989, Secs. II and III; James Steinberg, "Rethinking the Debate on Burdensharing," *Survival*, January-February 1987.

## THE POLITICAL/MILITARY DIMENSION

NATO has held together for 40 years through remarkable changes and often great stress because the 16 member nations have shared a goal and purpose—the need to act together to resist the potential military and political threat posed by the Soviet Union and its Warsaw Pact allies. The strength of this common resolve should not be underestimated; it allowed the Alliance to overcome deep and potentially acrimonious divisions and created a climate that favored compromise and conciliation over confrontation. But this shared sense of purpose has masked important conflicts. Although in the past there has been a consensus that the Soviet military capability and international behavior require a common effort to maintain collective security, there have been considerable differences on the two sides of the Atlantic (and among the European members) as to the nature and the extent of the threat and the appropriate means to counter it.

On the whole, American policymakers and analysts have tended to view with greater alarm than their European counterparts the conventional force disparities between NATO and the Warsaw Pact and to place greater emphasis on the need for NATO to reduce those disparities. Although some Americans have argued that the European view stems from lack of information on the nature and extent of the threat,<sup>4</sup> the disagreements, in fact, stem rather from differing assessments of Soviet intentions, of the strategic importance of numerical disparities in forces, and the appropriate NATO posture to counter those disparities.

The effect of differing assessments of Soviet intentions is obvious. Even large force disparities are not necessarily destabilizing if one has confidence in the other's intentions. But even where (as in East-West relations) the intent is ambiguous or even hostile, the presence of force disparities per se does not necessarily guarantee that the stronger can, or will, use its advantage. Although Europeans and Americans may all agree that at some level, disparities between East and West military capabilities may be

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<sup>4</sup>See, for example, the testimony of former Assistant Secretary of Defense Richard Perle, *Defense Burdensharing: The Costs, Benefits, and Future of U.S. Alliances*, Committee on Armed Services, House of Representatives, No. 100-111 (1989), p. 86: "I believe . . . that if allied officials have the same access as their American colleagues to the steady stream of intelligence pointing to the unrelenting buildup of Soviet military power, they would react much as we do—with concern and apprehension, and possibly even money."

so large as to threaten Western security, there are important differences on where that threshold is located.

The nature of the threat posed by these disparities is also the source of disagreement. For some, it is a threat of outright invasion. But to many in Europe and to a growing number in the United States, the prospect of a Warsaw Pact invasion has for a long time seemed implausible, and the real threat is the use of military superiority to coerce the policies of Western governments in a way that would provide advantage to the Soviet Union (sometimes referred to as the "blackmail" argument).

These differing assessments of the nature and type of threat have fed into further disagreements on how NATO should respond to the threat. For example, a military posture that was adequate to give West European nations confidence against Soviet political blackmail might not prove adequate (or appropriate) to assure the defeat of an actual invasion. Ever since the end of the period of massive retaliation, the United States has pressed European members to place a greater emphasis on conventional forces and the ability to conduct a successful conventional defense as the focus of Alliance military strategy, which the United States believed necessary to maintain the credibility of deterrence.

Europeans, by contrast, have tended to argue that increased conventionalization of NATO strategy risks undermining deterrence by making war more thinkable. From this perspective, only by emphasizing the near certainty of nuclear escalation can war effectively be deterred. This divergence of approach was an important factor in the French decision to withdraw from NATO's integrated military command at the time the Alliance was adopting its strategy of flexible response (MC 14/3), creating the most profound crisis in NATO's history.

This difference of view has had two distinct consequences for the burdensharing debate. First, given the high cost associated with maintaining adequate conventional forces for a robust conventional defense, the United States has pushed for increased European defense spending, an argument bound to prove less than fully persuasive to allies who believe that strengthened conventional forces are not only unnecessary, but actually counterproductive.

Second, the disagreement exposed the most intractable element of burdensharing (or "risk" sharing)—the costs associated with the failure of deterrence. The Americans' preferred approach, with its emphasis on direct defense, seemed to many Europeans to

increase the possibility of an unimaginably catastrophic conventional war fought on European territory with mainly European casualties; while the Europeans' preference for a lower threshold seemed to Americans to run an unnecessarily high risk of strategic escalation that would threaten the American homeland.<sup>5</sup>

Over the past decades, NATO has "resolved" these differences in perspective in a time-honored fashion: It has papered them over. This has typically taken the form of a solemn decision by NATO as an institution to respond to U.S. concerns about the need for more effective conventional forces, and thus for more spending through such initiatives as the Long Term Defense Program, the commitment to 3 percent growth in defense spending, and the Conventional Defense Initiative. In practice, this has produced only modest changes in Europeans' defense spending and force structures. With the prospect of substantial reductions in the Warsaw Pact's conventional capability through unilateral and negotiated reductions and a general easing of the East-West political confrontation, a new round of debate over strategy and the role of military forces is in the offing.

Differences over the nature and extent of the Soviet threat also have an important out-of-area dimension. During the early years of the Alliance, although the United States sought broad Western military involvement in Korea through the United Nations, it was the most forceful advocate for limiting NATO's activities to Europe, out of fear that NATO would become embroiled in colonial wars. As the United States grew to see conflicts in the developing world as an extension of the East-West conflict (a view that reached its zenith in the Reagan doctrine), American leaders argued that the outcomes of those conflicts were relevant to security in Europe and therefore worthy of appropriate, concerted NATO responses. Europeans, by contrast, have been inclined to try to isolate conflicts outside the region from European security concerns, seeking to limit the likelihood that conflict in the developing world would spill over into conflict in Europe.

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<sup>5</sup>From the American political perspective, there were two quite divergent types of response to these differences in perception. One was to argue that the United States should reduce its own efforts to match those of the Europeans, based on the European perception of the threat—"why should we care more about Western Europe than the Europeans?" The other was to accept the differences and argue that higher U.S. expenditures are justified precisely because the United States values the product (higher confidence of deterrence, or higher confidence in the ability to resist a Warsaw Pact attack without resort to nuclear weapons) more than the Europeans.

In some cases, the European allies have been persuaded that out-of-area threats are appropriate for a more collective response (the mine-sweeping activities in the Red Sea and the Persian Gulf and coordinating responses to terrorism). But even in these cases, they have been reluctant to use NATO as the forum for the common effort, with European governments favoring ad hoc arrangements, or more "European" institutions, such as the EC or the West European Union (WEU).

The differences between the United States and Europe on these issues were not absolute; nor do all Europeans or all Americans believe identically. What has been agreed is that NATO must maintain substantial military capability, that conventional forces are required but conventional defense alone is not enough, and that some contingencies outside of Europe may require response by NATO. Nonetheless, the differences between the United States and its European allies are sufficiently great that they have occasioned persistent political strains, at times quite serious, over several decades.

## **THE ECONOMIC DIMENSION**

The second critical element that has driven the burdensharing debate over the course of NATO's history has been economic—specifically, the periodic flaring up of transatlantic economic tensions over trade and macroeconomic policy. It is only a slight exaggeration to suggest that the degree of vitriol in the burdensharing debate can be mapped isotonically with the state of economic relations between the United States and Western Europe. From the balance of payments crises in the 1960s and early 1970s that spawned the Mansfield Amendments, to the over-valued dollar of the early 1980s followed by trade and budget deficits, economic relations have deeply colored debates over the fairness and adequacy of Alliance members' contribution to common security.

Some of these difficulties have direct consequences for the burdensharing problem. To the extent that U.S. economic difficulties are the product of balance of payment problems stemming from overseas deployments, or of budget deficits driven by increased defense spending, adjustments of the burden would appear to offer relief (e.g., through substituting European for U.S. forward deployed troops, increased host nation support, or compensating increases in European defense budgets to allow reductions in U.S. spending). This element, frequently exaggerated, is less pronounced than it once was, in part because the U.S. current account deficit is so large that the direct effect of



overseas defense activities on it is fairly unimportant, and in part because current account deficits are more tolerated than they once were. Nonetheless, the U.S. Congress continues to push for costly "Buy American" provisions, such as the insistence on using U.S. coal at U.S. facilities in Europe, provisions their proponents seek to justify, at least in part, as a means of reducing overseas purchases.

Defense procurement and the two-way street form another important element of the economic dimension of burdensharing. For many years, European concern about U.S. dominance of defense procurement in the Alliance was as endemic as U.S. complaints about Europeans not contributing their fair share of defense spending. This dominance was manifest in the large imbalance in defense trade across the Atlantic, favoring the United States at its height by as much as 10:1. However, in recent years, more concerted efforts by European governments to "Buy European," and arrangements with U.S. manufacturers to reduce the defense trade imbalance (coproduction, licensed production, offsets), have narrowed the gap.

Despite the improvements in the balance of transatlantic defense trade, the long-term economic consequences of defense spending, especially in high technology research and development, remain an area of considerable tension and mutual mistrust. When the United States first announced the Strategic Defense Initiative (SDI), many Europeans worried that the massive infusion of funds into such technologies as sensors and data processing would seriously disadvantage European civilian R&D (Europeans feared that they would be shut out from sharing in the technology as a result of U.S. security restrictions). These fears led Europeans to try to find a means of participating in SDI research through government-to-government memoranda of understanding and spawned many government-led European efforts on both the civilian side (the most prominent being EUREKA), and, more recently, the military side (EUCLID, the European Cooperative Long-Term Initiative for Defense sponsored by the IEPG) to counter the perceived U.S. advantage.<sup>6</sup> From the U.S. perspective, the growing European interest in maintaining the European defense industrial base has led to a concern that the United States would be shut out of the European defense market, a worry fed by such incidents as the cold reaction to former Defense Secretary Weinberger's suggestion for American

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<sup>6</sup>Ironically, U.S. skepticism concerning the economic value of military-induced R&D has increased in recent years.

participation in the European Fighter Aircraft (EFA). Of course, that suggestion did not include an offer to actually purchase any of the aircraft.

Other aspects of economic friction, such as disputes over trade barriers and macroeconomic policy, are only indirectly related to the security relationship, although acrimony engendered in the economic domain tends to spill over into the security relationship. All too often, Americans who view the U.S. commitment to Europe as a favor to Europeans are tempted to retaliate in the security domain for felt insults in the transatlantic economic relationship. Thus far, periodic trade disputes, such as the recent controversy over EC limits on imports of American beef with growth hormones, have ultimately been resolved quite amicably.

Both economic and security related factors have been the cause of division and conflict between the United States and its West European allies. But, to a large degree, the broadly shared consensus concerning the primacy of the Soviet threat, which created a climate of shared security interests, has dampened sources of disharmony that might otherwise have split the Alliance. Now that NATO has all but conceded the end of Warsaw Pact military threat, the Alliance must face the challenge of how to overcome the endemic sources of conflict discussed above, as well as newly emerging challenges, in the absence of a clear and identifiable enemy.

### **III. THE DEBATE TRANSFORMED**

The recent improvement in East-West relations, political changes in Eastern Europe, internal reform in the USSR, unilateral Soviet force reductions, and prospects for a conventional arms control agreement have substantially reduced the threat. Coupled with the growing momentum behind European integration symbolized by "1992" and the quickening pace of German unification, Europe's political landscape is undergoing radical alteration. Will these changes bring new harmony to NATO, or will they unleash conflicts that have until now been muted by the need to maintain consensus in the face of a common, heavily armed adversary?

#### **THE POLITICAL/MILITARY DIMENSION**

The past two years have witnessed an enormous acceleration in the process of conventional force reductions in Europe. After a decade and a half of stalemate in Mutual and Balanced Force Reduction (MBFR) talks, the Soviet Union has not only accepted in principle asymmetric reductions leading to parity in forces and effective verification but has moved concretely through unilateral force reductions and more forthcoming negotiating positions to demonstrate its interest in reaching an agreement. Political change in Eastern Europe and the hollowing out of the Warsaw Pact has further contributed to a diminution of the military threat to NATO. It is no longer possible to imagine East European troops acting in concert with the USSR in support of Soviet aggression against the West; indeed, it is more likely that they, too, would resist Soviet military advances. Moreover, the growing East European insistence that the USSR remove its troops from their territories diminishes the threat even further. Officials and independent analysts now seem to agree that the risk of a successful surprise attack has been eliminated, and there are growing doubts whether the Soviets could conduct any massive offensive operations against Western Europe even with a long mobilization period. Although final agreement has not yet been reached in the current conventional arms talks, and important issues remain, many in Europe and the United States are already beginning to discuss the objectives of a second round of conventional arms negotiations.

At first blush, reductions in the military threat would seem to take some considerable steam out of the burdensharing problem. Whatever the proper level of defense effort by the West, it must surely be the case that less—perhaps considerably less—is required if the adversary military's capabilities are substantially cut back. As Soviet forces are reduced and the Warsaw Pact disintegrates, the burdensharing argument is likely to be transformed from who should do how much more, to who will reap the benefit of having to do less.

This could prove very important in the current fiscal climate; for many of the NATO allies, there is a large gap between the previously planned military program and likely available resources. An agreement on Conventional Forces in Europe (CFE) alone will, to some extent, allow nations to reduce their defense programs. But the political dynamics set in motion by CFE may also lead governments to cut their defense spending further in light of improved East-West relations; and the gap between plans and realities would remain, or even be exacerbated, if lower requirements drive up unit costs of production of military equipment.

Reductions may well trigger a whole new set of burdensharing controversies. At a minimum, NATO will need to sort out how to allocate the reductions mandated by CFE. There is evidence that some NATO members, anticipating the outcome of the negotiations, have already begun to reduce their planned procurement of equipment likely to be constrained by CFE, thereby hoping to pocket for themselves some of its economic benefits. The recent suggestion by the Belgian Defense Minister of plans to withdraw Belgium's forward deployed forces from the Federal Republic of Germany (FRG) is a very concrete indication of the danger of a "rush to the exits." Different formulae for distributing the cuts (equal percentages, oldest equipment first, perhaps followed by cascading) will lead to different distributions of costs and benefits.

Up until now, NATO has quietly sought to resolve the problems of "harmonizing" in allocating potential CFE cuts, perhaps out of fear of reopening divisions that have been carefully smoothed over in the process of hammering out NATO's negotiating position in Vienna. But, sooner or later, these issues will become more prominent, as national and NATO planners try to grapple with structuring their force requirements for the coming decade.

A similar problem is likely to arise for manpower. Demographic and cost constraints have put pressure on NATO governments to reduce manpower, especially

active duty forces. Governments will prefer to use CFE limits to justify manpower reductions rather than admit publicly (and to each other) their unwillingness to bear the political and economic costs of retaining current force structure. The FRG has already indicated its intention to reduce the size of its active duty forces from over 490,000 to around 400,000, nominally tied to the completion of CFE but driven by the precipitous decline in the number of draft-age men.

The manpower dimension may prove particularly important for the United States, where the size of U.S. forces in Europe has been the perennial focus of burdensharing arguments. Politicians in Washington are watching closely to see whether CFE results in a substantial cut in U.S. forces in Europe. President Bush's proposal (now accepted by the USSR) to lower the ceiling on U.S. and Soviet forces from the 275,000 originally proposed to 190,000 (with an additional 30,000 for the United States outside the Central Region) is in part a recognition that Congress would not be satisfied with the 30,000-person reduction that would have flowed from NATO's original proposal. And even this level is likely to be insufficient as Congress will prefer troop reductions in Europe over politically sensitive cutbacks in troops and bases in the United States as a way of reducing the defense budget. Thus, there may be growing pressure for further unilateral cuts, even if a second round of CFE is in the offing.

On a more fundamental level, there is a distinct possibility that disagreements between the United States and its European allies on strategy and force posture will simply be replicated, albeit at a somewhat lower level of forces. The course of current CFE negotiations holds out the prospect of establishing something resembling parity at or slightly below the current NATO force level. For those who believe that the existing balance is reasonably stable, notwithstanding Warsaw Pact superiority in the "bean count," there is a cogent argument that NATO should be willing to tolerate similar stable asymmetries at lower levels of forces, as the political climate between East and West becomes less hostile. This would provide a rationale for unilateral Western force reductions in response to CFE, which will appear attractive to politicians in both the United States and Europe, whose publics are increasingly demanding the benefits of an expected "peace dividend."<sup>1</sup> Of course, the Soviet Union and/or its Warsaw Pact allies

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<sup>1</sup>A recent Congressional Budget Office report discusses two options for unilateral U.S. troop reductions below those proposed in CFE as a means of increasing the budget savings. See "Budgetary and Military Effects of a Treaty Limiting Conventional Forces in Europe," Congressional Budget Office, Washington, D.C., January 1990.

will probably make their own unilateral cuts post-CFE, putting further pressure on NATO governments to show tangible benefits from the changing military balance in Europe.

These disagreements could extend not simply to the quantity of forces but also to the mix of forces, as reductions begin to challenge NATO's operational strategy. For example, as U.S. forward troops are reduced as part of CFE, the question will arise as to whether NATO will still need the ability for rapid U.S. reinforcement and therefore at least some improved strategic lift to return U.S. troops to the European theater. If so, there will be new costs associated with providing the necessary capability, along with the inevitable question of who pays. The recent pathbreaking NATO arrangements for helping to finance the relocation of the U.S. 401st Tactical Fighter Wing from Spain to Italy—and the current controversy in the U.S. Congress over footing the American share of the bill—show how complex the burdensharing dimensions of redeployment in light of CFE are likely to be. Similar issues will arise for other aspects of infrastructure such as ports and landing facilities, air bases, and logistics. In addition, most analysts believe that lower force levels will require new emphasis on aspects of NATO operations such as mobility and improved command, control, communications, and intelligence (C<sup>3</sup>I), imposing new costs even as quantities of CFE-constrained equipment decline. Finally, the combination of lower force levels and a changed political map, including a unified Germany and an Eastern Europe becoming Western in orientation, will challenge the credibility, or even the necessity, of forward defense as currently understood; and a new debate on strategy with associated burden allocation issues will emerge.

CFE, by its nature, means fewer troops and certain categories of equipment (within the Atlantic to Urals region), but many categories of defense spending will remain unaffected. In addition to the compensating costs that NATO nations might incur to maintain the credibility of NATO strategy at reduced force levels, several nations will continue to maintain large financial commitments for out-of-area and force projection activities and for strategic nuclear force. France, for example, spends around 30 percent of its military equipment budget on nuclear forces.<sup>2</sup> In addition, arms control verification will impose substantial costs.

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<sup>2</sup>See Jacques Fontanel, "Defence Costs and Budgeting in France," in Roper, Boyer, and Lellouche (eds.), *UK-French Defence Cooperation*, Royal Institute for International Affairs, London, 1989, p. 109.

Finally, the changing conventional military balance has again raised the thorny burdensharing issues associated with theater nuclear forces (TNF)—which ones and where. Although the complex issues of TNF are beyond the scope of this Note, it is important to keep in mind their burdensharing dimension. For the United States, it has been particularly important that European allies share the political burden of flexible response through their willingness to accept basing of nuclear weapons. For West Germans, there is a keen desire to avoid "singularity" (basing nuclear weapons in just one country). These concerns shaped the nature and scope of the Intermediate Nuclear Force (INF) deployment decision in 1979 and will play an important part in future decisions concerning TNF modernization and unilateral or negotiated reductions. With the changes in Eastern Europe and German unification, the political burden of short-range nuclear systems will be more difficult for West European governments to support. These forces have already led to the cancellation of the Follow-on to Lance and may soon lead to the unilateral or negotiated elimination of all short-range land based systems.

Ultimately, conventional and theater nuclear force reductions will go to the very heart of the transatlantic burdensharing debate—the role of the United States in Europe. Although the presence of U.S. forces in Europe and the extension of the nuclear umbrella associated with them are not the only elements of the U.S. "contribution" to European security, they are the most visible and most specifically identified with the U.S. role in burdensharing terms. As forces come down on both sides, both Americans and Europeans will need to address whether and in what form the United States should remain. Must the United States maintain sizable forces in Europe? Can the United States revert to its pre-World War II posture as Western Europe's strategic reserve? Should it? Is extended deterrence credible without U.S. troops actually present in theater? Without U.S. nuclear weapons based on European soil? Is a U.S. military presence required to act as counterweight to the Soviet Union even after the Cold War? What role does the United States have to play in maintaining a stable Europe where the potential for conflict comes not primarily from the East-West fault line but from national or ethnic divisions? Does a continued, if greatly reduced, U.S. presence contribute to maintaining the broader range of transatlantic ties? Who benefits from the U.S. continuing to play any of these roles? Who should bear what costs?

These questions, and many others, will not be easy to answer, in part because of the inherent geostrategic differences between the Soviet Union's position as a continental power in Europe and the more remote U.S. position across the Atlantic.

But it is clear that the U.S. role will change, and the U.S. military presence will be considerably reduced. Although this will lead to a reduced fiscal burden on the United States, many fear that it will also lead to a loss of what has been the corresponding benefit—a dominant voice in the political, economic, and security debate within the Alliance. Perhaps even more important, the forces that are bringing about these changes are also threatening the centrality of the Alliance itself as Europe's principal political and security institution. The emerging new security architecture of Europe will require a new balance of burdens and responsibilities for both the North American and West European members of NATO. A new transatlantic bargain is needed that will maintain a substantial role for the United States while recognizing the new European political realities of the end of the East-West division and a deepening economic and political relationship among the 12 EC members.

#### **BROADENING THE AGENDA**

As the military threat from the East recedes, Western political leaders are struggling to address the question of what role or roles NATO might usefully play to supplement or even replace what is now its dominant function—a complex defensive military alliance. How will the broadening of NATO's agenda or the transformation of NATO into a "political" alliance (as Secretary Baker has suggested) affect intra-Alliance relations, particularly with respect to burdensharing?

Several approaches to transforming NATO into a more political alliance have already surfaced within NATO councils. They include:

- Non-European ("out-of-area") threats to European (or Western) security, such as the Persian Gulf, the Middle East, and terrorism.
- The political and economic dimensions of East-West relations (which may expand to include such issues as economic and technical assistance to the Eastern European members of the Warsaw Pact and the creation of new security institutions in Europe).



- Coordination of economic and development assistance to developing nations.
- Common nonmilitary threats such as the environment and public health.
- West-West economic issues.

Of course, many of these issues are currently being addressed in other forums, ranging from the EC to the Conference on Security and Cooperation in Europe (CSCE) to the Group of Seven. It is unclear how suitable NATO will be for these topics; some NATO leaders have strenuously resisted calls to expand the NATO agenda, fearing interference with the other evolving institutions, especially the political "deepening" of the EC. The very success of NATO to date suggests that its members will not cavalierly abandon it, even if the need for close coordination of Western military forces in Europe diminishes in the future. But the addition of new objectives to the NATO agenda, or increased attention to existing but secondary issues, will create new sources of controversy. It may be useful to compare this phase of NATO's development with that in the mid-1960s, when the Harmel report revitalized the Alliance by redefining NATO's mission but added new and often controversial issues, such as arms control, to NATO debates. Moreover, to the extent that any of these issues involve financial contribution from members, the same basic issue of appropriate or "fair" shares will remain. The possibility that one or more members of the Alliance would "opt out," at least on individual issues or roles, would become more likely if the NATO agenda broadens to include issues less closely connected with the military dimension of national security.

## **1992 AND ALL THAT**

If, in fact, the military dimension of the transatlantic relationship becomes less central as a result of a diminished threat, economic issues will become even more important in shaping intra-Alliance relations. In the past, tensions along the economic dimension have fueled the burdensharing debate. How are the broad forces now at work reshaping Europe likely to affect burdensharing issues in the future?

CFE per se should have only a limited effect in this area. On the positive side, improved East-West relations are likely to dampen disagreements between the United States and Western Europe over East-West trade and technology transfer to the East. As a result of the political changes in Europe, the United States and the EC are already opening up trade with Eastern Europe, and a new U.S.-Soviet trade agreement has been

signed. Assuming current trends in Eastern Europe and the Soviet Union continue, the United States will probably modify its rather hard-line stance on technology transfers to members of the Warsaw Pact. But as the EC takes the lead in providing financial assistance to struggling economies of Eastern Europe, there may be growing conflict between Western Europe and the United States over access to an attractive East European market and profitable investment opportunities in the newly emerging capitalist economies.

There is also considerable potential for economic competition in the area of weapons procurement in the post-CFE world. Reduced overall procurement requirements will lead to intensified competition between manufacturers for shares of the smaller pie and a desire on the part of governments to maintain their industrial base (and employment) by supporting national procurement. This trend could be mitigated by the growing importance of production efficiency as procurement quantities are reduced and budgets decline, since the need for greater efficiency will lead to further consolidation of the defense industry and at least the potential for more transnational cooperation. From the American perspective, a critical question is whether the focus of cooperative efforts is intra-European or whether it will extend to include U.S. firms. For Europeans, conversely, the concern will be whether a declining U.S. manufacturing base leads to even greater U.S. political pressure to "Buy American."

### **Completing the Market**

Whether economic conflict comes to dominate the Alliance relationship may be influenced by the two sides' perceptions of the ramifications of "1992." To the extent that Americans view "1992" as the construction of Fortress Europe, retaliatory measures are likely, both in defense and nondefense sectors; a more open but unified European market could soothe buy-domestic pressures. In general, initial American apprehensions about the course and intent of "1992" have begun to ease, but the prospect for conflict remains considerable. So long as the United States continues to run large trade deficits, Americans will be highly sensitive to perceived unfair trade barriers, whether they are, in fact, the principal cause of those deficits. And the continued disagreements over such sectors as agriculture in the Uruguay Round of General Agreement in Trade and Tariffs (GATT) negotiations could fuel pressures for managed trade and the carving up of the world economy into trading blocs.

Although defense procurement is excluded from the 1992 mandate, the close association between defense and other high-tech sectors falling within 1992 means that there will almost certainly be a spillover into the defense sector. And the movement toward greater European consolidation is already well under way—Thomson's acquisition of Phillips' key defense subsidiaries, Daimler's absorption of MBB, and GEC and Siemens' acquisition of Plessey; the list expands virtually each month. These moves enhance the competitiveness of European industry with regard to the United States but could also result in the further exclusion of the United States from European markets. Over the last decade, the U.S. dominance of the two-way street has been reduced considerably and in some cases eliminated. It is hard to imagine that Europeans will allow the situation to revert to the previous imbalance. At the same time, American concerns about dependence on foreign sources are again on the rise.<sup>3</sup> The growing disarray in NATO/Conference of National Armament Directors (CNAD)-sponsored transatlantic cooperative procurement projects is not encouraging.

### **Deepening and Broadening the Community**

The effect of "1992" on intra-West European and transatlantic relations has important consequences in the political as well as economic spheres. The Single European Act not only gave new impetus to completing the internal market but also revived the effort toward greater political integration, which can be seen in the agreement to hold an intergovernmental conference on economic and monetary union in December 1990 and in the Kohl-Mitterand proposal for speeding political union. Movement in this direction would affect transatlantic relations in several ways. For example, if the EC is successful in implementing a currency union and joint macroeconomic policy, it will be an even more formidable interlocutor for the United States than Germany (now the key country in the European exchange rate agreement) is today and one with broader and more strategically formulated policy interests.

On the political side, enhancement of European political cooperation (EPC) and an emerging EC role in shaping political relations with Eastern Europe could lead the EC

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<sup>3</sup>"The trend [toward increasing purchase of military parts and components from overseas] is intensifying concerns among Government and private analysts about the competitiveness of American weapons technology and the nation's ability to meet its military needs in wartime. And it has brought growing objections from companies, politicians and workers about the loss of American jobs and profits." Richard Stevenson, "Foreign Role Rises in Military Goods," *The New York Times*, October 23, 1989, p. 1.

to become a competing parallel institution with NATO in European security and foreign policy. Although the United States has welcomed some enlargement of the EC role with respect to economic aid to Eastern Europe, for example, there is a serious, if latent, potential for NATO and EC interests to diverge. All of these factors play into the longstanding dilemma—does a stronger, more united Europe mean an effective European pillar within a thriving transatlantic Alliance? Or do they lead to a Europe more inclined to act independently from the United States and potentially at odds with it? And to what extent will the transatlantic dialogue of the 21st century consist of a bilateral discussion between the United States and the EC, rather than the multilateral forum of NATO?

To some extent, the answer to these questions will depend on the course followed by the EC. To the extent that the focus of the EC's growth is on "deepening" ties among its members, the more likely it will take on a security dimension. To the extent that "broadening" leads to an increase in the diversity of security interests within the Community through the extension of membership to neutrals and even members of the Warsaw Pact, the more important the "Western" dimension of NATO will remain. And all of this depends to some degree on the evolution of other security-related institutions, including the WEU and the CSCE. Multiple geometries seem the likely future, with considerable overlap and uncertainty over the defining roles of each institution.

#### IV. THE SOUTHERN REGION

Thus far, we have discussed broad trends in Alliance political and economic relations in very general terms. But the effect of these forces is likely to vary for different members of the Alliance. We now consider some of the specific consequences for the Southern region members of NATO. These are necessarily preliminary thoughts in uncertain times, but the outlines are already beginning to emerge.

##### CFE AND THE POLITICAL/MILITARY EFFECT

CFE seems certain to affect the Southern region in a way that may well enhance its importance. Too often in NATO thinking and planning this region has been relegated to the status of a "flank" to the main Central Region confrontation. The two-zone approach to troop limits proposed by the United States and accepted by the Soviet Union seems to set a floor under the number of U.S. Army and Air Force personnel stationed in the Southern region (and the UK, which is also outside the Central Region),<sup>1</sup> at about half the present level. Moreover, because naval forces, which are excluded from the current CFE negotiations, make up such an important component of Southern region forces, the effect of the reductions will not be as great; indeed, the role of the Southern regions' naval forces could be enhanced as NATO strategy is revised in light of CFE.<sup>2</sup>

This potential "lesser" effect on the Southern region is a double-edged sword, offering the possibility of an increased role for Southern region nations but fewer opportunities for reductions in defense spending by allies in this area. Of course, this will depend to some extent on specific NATO decisions (for example, in the case of Italy, the future of the redeployment of the 401st Air Wing at Crotone), particularly the method of allocating reductions. NATO members are also now considering plans for transferring military equipment in response to CFE to assure that only the most obsolete equipment is

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<sup>1</sup>For Turkey, there is the additional consideration that part of its territory is outside the Atlantic-to-the-Urals region covered by the CFE negotiation and therefore not subject to limits under the proposed CFE Treaty.

<sup>2</sup>The Soviet Union has suggested that future negotiations include limits on naval forces, but the United States has thus far stoutly resisted. Should naval arms control become part of the security agenda, it could greatly affect the countries in the Southern region.

eliminated. This could enhance the modernization of some of the older forces in the region, such as those of Turkey and Portugal,<sup>3</sup> but could place new burdens on those nations associated with operating the equipment. Although the outcome is very uncertain, these issues are likely to raise important burdensharing concerns with respect to both roles and costs.

Over the past several years, several countries in the region have demonstrated their commitment to NATO and the importance they attach to maintaining a seat at NATO's table. The Italian decision to accept basing of ground launched cruise missiles (GLCMs) at Comiso and subsequently the redeployment of the 401st Tactical Fighter Wing are clear indications of the importance Italy's leadership places on demonstrating its willingness to shoulder both financial and nonfinancial aspects of the NATO burden. In Spain, despite the acrimony surrounding the renegotiating of the basing agreement with the United States, Felipe Gonzalez's strong support during the referendum on Spanish membership in NATO, notable in light of the Socialists' previous opposition, reflected an awareness that full participation in "Europe" included assuming the financial and political burdens associated with membership in NATO. Greece and Turkey have also had serious political burdens associated with NATO membership, including Greece's association with a nuclear strategy that is contrary to national policy and Turkey's unhappiness over the EC delay in acting on its application for membership and U.S. statements regarding Turkey's historical treatment of Armenians. The major problem for both, however, has been the endemic conflict between them, which has consistently led to their vetoes of each other's NATO force goals. Nevertheless, neither Greece nor Turkey seems likely to contemplate leaving the Alliance in the foreseeable future.

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<sup>3</sup>See, for example, the remarks of Portugal's Secretary of State for Defense, Eugenio Ramos: "Instead of destroying military equipment to meet the ceilings, the more modern countries' most sophisticated weaponry could be moved to countries such as Portugal, whose Armed Forces are being modernized, and which could, in turn, destroy their oldest weapons." *Diario de Noticias*, October 14, 1989 (reprinted in FBIS West Europe, FBIS-WEU-89-203, October 23, 1989, p. 16). See also Istanbul, *Milliyet*, October 10, 1989 (FBIS-WEU 89-198, October 16, 1989, p. 27): "Now Turkey is making a new proposal to NATO: 'For us, a significant portion of the weapons you will destroy is new. We are spending millions of dollars to modernize our Army. Instead of destroying these weapons, donate them to us or sell them cheaply.' . . . This proposal, which originated in the General Staff, will gain Turkey billions of lira."

## **NATO'S EXPANDED AGENDA AND ITS EFFECT**

If NATO's agenda broadens along the lines discussed in Sec. II, the importance of the Southern region within NATO could be enhanced. To a considerable extent, this is because of the special relationships between Southern region members and potential sources of instability that could affect Western Europe. Italy and Yugoslavia, Greece and the Balkans, Turkey and the Arab World, Spain and the Mahgreb, Portugal and Africa, France and her former colonies—the range of contacts and influence is broad and potentially critical if NATO's attention turns more and more to these potential hot spots.

Last year's meeting in Budapest of deputy prime ministers and foreign ministers of Italy, Hungary, Austria, and Yugoslavia is an indication of the kind of role that Southern region countries might play in a Europe where problems, sources of instability, and solutions are no longer seen primarily through an East-West prism. As Italian Foreign Minister Gianni de Michelis wrote: "It is in everyone's interest to find ways to contain the centrifugal forces of disorder in Central Europe. The region must become a place of economic, social, and cultural cohesion. . . . And Italy has a special role to play—a contribution to make in stabilizing a part of Europe that politically has been called the East, that geographically is in the center, but culturally is part of the West."<sup>4</sup> de Michelis made a special point of noting, "Italy's European Community and NATO partners have encouraged Italy to proceed" with the Budapest meeting.

How these relationships will evolve within NATO also remains uncertain. In the past, Southern region members were increasingly reluctant to assist the United States in conducting out-of-area military activities. With the decline of the Soviet threat, it will be even harder to justify out-of-area activities along East-West lines. But if NATO comes to accept a broader role in dealing with threats emanating from North Africa and the Middle East, and if NATO itself provides the umbrella under which such activities are undertaken, there may well be a greater willingness to play a role. And, certainly in the nonmilitary realm, such as providing assistance to the developing world, special relationships, such as those Spain maintains with Latin America, could prove vital.

The future of U.S. bases and forces in the Southern region is closely tied to the evolution of attitudes in NATO toward out-of-area activities. The bases are an important element in the burdensharing calculation for the region, because base payments are a

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<sup>4</sup>Gianni de Michelis, "A Hapsburg 'Reunion,'" *The New York Times*, November 10, 1989, p. A19.

source of financial assistance to several countries in the region, and the economic activity bases generate is important to local economies. As East-West tensions ease and force cuts are implemented, the continued utility of the bases may depend on the extent to which they are available for out-of-area contingencies. If countries in the region continue to impose greater restrictions on permissible activities, the high cost of maintaining the bases and the political conflict that often goes hand in hand with overseas basing may lead the United States to scale back or even abandon some of them. This trend will be reinforced by American politicians' preference for closing bases abroad instead of bases in their home districts. Base closures, in turn, could affect the level of security assistance the United States provides to such countries as Greece and Turkey.

### THE ECONOMIC DIMENSION

The expansion of the EC to include Spain and Portugal and the movement toward a more complete market have greatly increased the importance of the Southern region in the new European thinking. Although there is much discussion of the economic power of the FRG, Italy's recent economic performance has been even more impressive, and the economic growth of Spain and Portugal is likely to be given a particularly sharp impetus by the disciplines of "1992." Italy is also increasingly playing an important role in the intra-European cooperation in defense procurement, a process likely to accelerate with the completion of the international market at the end of 1992.

Conversely, the future course of Turkey's association with the EC is likely to profoundly affect Turkey's role in Europe, not only from the prospects for Turkish economic modernization but also in the political sphere, as the EC takes on a broader range of functions as a result of the Single European Act. There seems to be a growing fear in Turkey that a movement to expand the "European" membership of the EC, beginning with Austria, could come at the expense of Turkey's application. Up until now, EC membership has been seen by some as an appropriate "reward" for Turkey's loyal membership in NATO,<sup>5</sup> and if Turkey were passed over for membership, the political repercussions would be very serious. However, whether the EC will accept any

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<sup>5</sup>See, e.g., Dr. Haluk Ulman, "Turkey Is Now Isolated," Istanbul, *Gunaydin*, October 5, 1989 (FBIS-WEU-89-194, October 10, 1989, p. 26): "Those formulating Turkey's foreign policy . . . could tell their Western friends, 'Our position within our joint defense system is very important, therefore you have to support us. Otherwise . . . ' It is clear that as long as the winds of the 'Cold War' were blowing, this was a strong trump card."



new members in the near term is unclear. The prospect of incorporating the East German economy into the EC, as well as the need for working out some sort of association with the democratizing nations of East Europe, may be all the system will bear for some time to come. If Turkey's importance as NATO's southeastern anchor is seen to be in decline as a result of improved East-West relations, Turkey's EC relations may suffer; conversely, if Turkey is viewed as an increasingly important democratic bridge to the Middle East and Moslem world, its relation with the EC will probably be intensified.

The EC's growing involvement with Eastern Europe could have important consequences for its poorer members, such as Greece and Portugal. If the level of economic assistance to Eastern Europe is increased, the funds available for development assistance to the existing members could decline. The economic cost of assisting Eastern Europe could also affect the EC's willingness to include Turkey and to provide substantial levels of economic support to that country. Similar problems may arise in the private sector if growing opportunities for investing in Eastern Europe were to reduce the capital available for investment in the Southern region. Favorable tariff treatment for East European countries could also lead to increased competition from low-wage industries there in markets where Southern region export prospects were formerly very favorable.

## V. CONCLUSION

This Note has surveyed several of the possible implications of changes in East-West and West-West relations and their effect on the burdensharing debate. Some of the issues identified are likely to arise in the short run—e.g., allocating the reductions in military forces among allies. Others, such as the emergence of the EC as an alternative security forum to NATO, are more long range and speculative.

Those who have predicted doom for NATO to date have been wrong. At the same time, the current pace of change, both in the East and in Western Europe, guarantees that the security landscape in Europe will look very different in ten years, possibly sooner. NATO may well survive, but it will certainly change, perhaps fundamentally. And its adaptation to the new security environment will bring with it important changes in the relations among the members of the Alliance.

We hope that this discussion will help stimulate further research into areas that are likely to be affected by this changed security landscape, particularly as it affects the Southern region. Analysts in both the United States and Europe have a real opportunity to help inform the debate during this time of great fluidity in the future of transatlantic relations.